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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 22, 2000

APPLICATION OF

AMERICA'S ENERGY ALLIANCE, INC.

CASE NO. PUE000479

For licenses to conduct  
business as a competitive  
service provider in electric  
and natural gas retail access  
pilot programs and as an aggregator

ORDER GRANTING LICENSES

On September 19, 2000, America's Energy Alliance, Inc., ("Alliance" or "Company"), filed an application for licensure to conduct business as a competitive service provider and aggregator, as provided by the Interim Rules Governing Electric and Natural Gas Retail Access Pilot Programs, 20 VAC 5-311-10 et seq. ("Interim Rules"). Alliance proposes to provide competitive natural gas service in the retail access pilot programs of Washington Gas Light Company ("WGL") and Columbia Gas of Virginia, Inc. ("CGV"), and competitive electric service in the retail access pilot programs of Virginia Electric and Power Company ("Virginia Power"), Appalachian Power Company d/b/a American Electric Power-Virginia ("AEP-VA"), and Rappahannock Electric Cooperative ("REC").

On October 3, 2000, the Commission issued its Order for Notice and Comment, establishing the case, requiring that notice of the application be published, providing for the receipt of comments from the public, and requiring the Commission's Staff to analyze the reasonableness of Alliance's application and present its findings in a Staff Report to be filed on or before October 25, 2000.

The Company filed proof of publication of its notice on October 25, 2000. No comments from the public on Alliance's application were received.

The Staff filed its Report on October 25, 2000, concerning Alliance's technical and financial fitness to provide competitive electric, natural gas, and aggregation services. In its report, Staff noted that Alliance is a wholly-owned subsidiary of NOVASTAR, Inc., ("NOVASTAR") which is a wholly-owned subsidiary of Northern Virginia Electric Cooperative ("NOVEC"). Staff stated that as a newly formed entity with little or no financial history, Alliance is totally dependent on NOVASTAR/NOVEC for its funding. Staff noted that NOVEC filed an application on September 1, 2000, under Chapter 4 of Title 56 of the Code of Virginia seeking Commission authority to execute a promissory note with NOVASTAR ("Promissory Note")<sup>1</sup>. Additionally,

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<sup>1</sup> By Commission Order dated November 7, 2000, in Case No. PUA000068, the Commission authorized NOVEC to execute a promissory note with NOVASTAR.

Staff noted that NOVEC's Board of Directors recently authorized a corporate guarantee ("Corporate Guarantee") between NOVEC and Alliance for which, according to Staff, NOVEC will seek approval from this Commission under Chapter 3 prior to executing the Corporate Guarantee<sup>2</sup>. The Staff concluded that Alliance satisfies the technical fitness requirements for licensure, however, Staff questioned Alliance's financial fitness absent these two instruments.

Staff also discussed Alliance's request for a waiver of 20 VAC 5-311-50 A 12 a of the Interim Rules, which requires an applicant to file audited financial statements for the most recent fiscal year. Staff recommended that Alliance be granted a waiver of this requirement. Staff also recommended that licenses be granted to Alliance for the provision of aggregation services and competitive electric and natural gas service, subject to the Commission approving both the Corporate Guarantee and Promissory Note.

On October 27, 2000, Alliance filed comments on the Staff Report stating that it had no response to the Report.

On November 2, 2000, the Commission issued an Order in which we deferred action on Alliance's September 19, 2000

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<sup>2</sup> On December 13, 2000, NOVEC completed an application under Chapters 3 and 4 of Title 56 of the Code of Virginia for authority to guarantee the short-term debt of Alliance. This application was docketed as Case No.PUF000047. On December 19, 2000, the Commission authorized the short-term debt guarantee.

application for licenses until we ruled on the Corporate Guarantee and Promissory Note.

NOW UPON CONSIDERATION of the application, the Staff Report filed in this matter, the authority granted by the Commission in Case Nos. PUF000047 and PUA000068, and the applicable law, the Commission is of the opinion and finds that the Company's application for licensure to provide competitive electric, natural gas and aggregation services should be granted. We will also grant the waiver of our Interim Rules requiring audited financial statements. Accordingly,

IT IS ORDERED THAT:

(1) As provided by the Interim Rules, 20-VAC 5-311-60 A, Alliance is granted a waiver of 20 VAC 5-311-50 A 12 a which requires the submission of audited financial statements.

(2) America's Energy Alliance, Inc., hereby is granted license No. PG-8 to provide competitive natural gas service to residential, commercial and industrial customers in conjunction with retail access pilot programs of WGL and CGV. This license to act as a competitive service provider is granted subject to the provisions of the Interim Rules, this Order, and other applicable statutes.

(3) America's Energy Alliance, Inc., hereby is granted license No. PE-10 to provide competitive electric service to residential, commercial and industrial customers in conjunction

with retail access pilot programs of Virginia Power, AEP-VA and REC. This license to act as a competitive service provider is granted subject to the provisions of the Interim Rules, this Order, and other applicable statutes.

(4) America's Energy Alliance, Inc., hereby is granted license No. PA-6 to provide aggregation services in conjunction with retail access pilot programs of WGL, CGV, Virginia Power, AEP-VA and REC. This license to act as an aggregator is granted subject to the provisions of the Interim Rules, this Order, and other applicable statutes.

(5) These licenses shall expire upon termination of the respective pilot programs unless otherwise ordered by the Commission. These licenses are not valid authority for the provision of any product or service not identified within the licenses themselves.

(6) Failure of Alliance to comply with the Interim Rules, the provisions of this Order, other State Corporation Commission orders and rules, or other applicable state or federal laws may result in an enforcement action by the Commission including, without limitation, the revocation, suspension, or modification of the licenses granted herein, the refusal to renew such licenses, the imposition of appropriate fines and penalties, or such other additional actions as may be necessary to protect the public interest.

(7) This case shall remain open for consideration of any subsequent amendments or modifications to this license.